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Global Agricultural Information Network

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U.S. Alfalfa Hay Exports to China Climb

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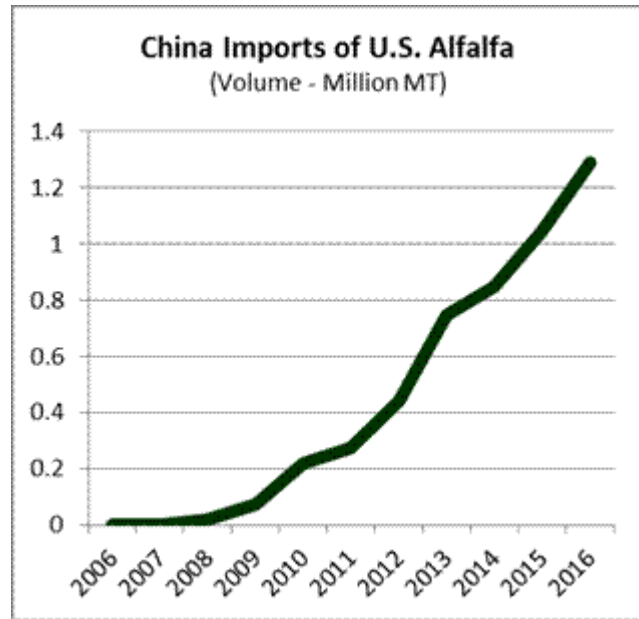
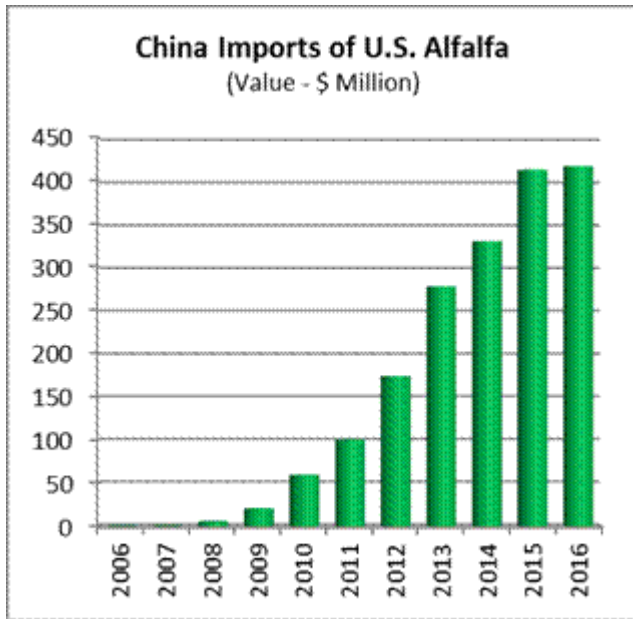
ATO Guangzhou

Report Highlights:

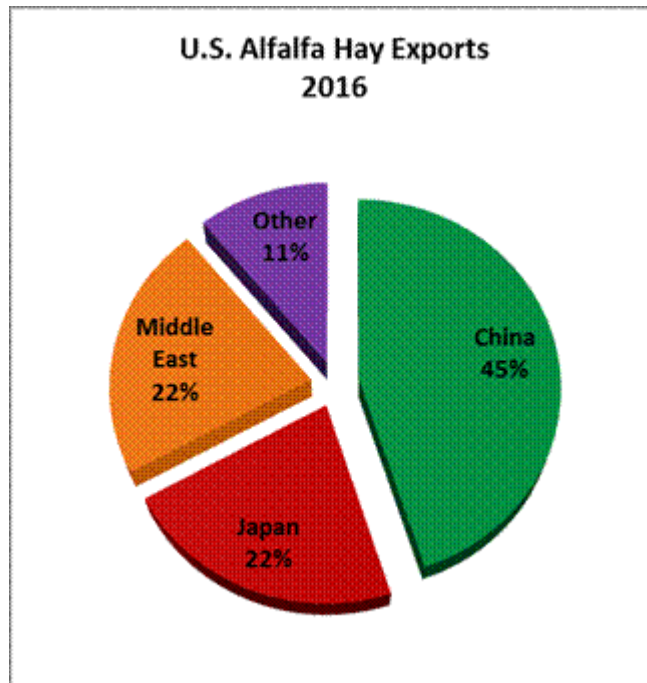
U.S. alfalfa exports to China continue to climb, reaching 1.29 million metric tons (worth \$417 million) in 2016. China is by far the largest foreign market for U.S. alfalfa hay, accounting for nearly half of the total U.S. exports in 2016. This growth is driven by the changing production practices in China's dairy industry, with an increasing number of dairy cows raised by large and modern dairy farms, which prefer using imported hay and commercial feeds. Because of this rising demand, the Chinese government is trying to encourage greater domestic production of alfalfa.

General Information:

U.S. alfalfa exports to China continue to climb, reaching 1.29 million metric tons (worth \$417 million) in 2016. In terms of volume, this was an increase of 23 percent from 2015 (due to lower U.S. prices however, the total value only increased by one percent). China is by far the largest foreign market for U.S. alfalfa hay, accounting for nearly half of the total U.S. exports in 2016. This dramatic growth has continued in 2017, with the volume of Chinese imports up another 19 percent in the first four months of the year. This growth is driven by the changing production practices in China’s dairy industry, with an increasing number of dairy cows raised by large and modern dairy farms, which prefer using imported hay and commercial feeds.



Source: China Customs



Source: FAS/GATS

Foreign Competition

The United States dominates the imported hay market in China, with 78 percent market share last year for total hay (including alfalfa and other types of hay). Australia was the second largest supplier to China in 2016, exporting oat hay. Australian exports experienced strong increases last year, primarily due to a severe drought in summer 2016 impacting domestic grass production for the Chinese sheep industry. Spain also exports baled alfalfa hay as well as alfalfa pellets/cubes. Spanish baled hay exports suffered a steep decline in 2016, reportedly over quality concerns. However, Spain dominates the alfalfa pellet/cube market (90 percent market share) and there continues to be great demand for this type of product in China. Currently the United States does not have market access for alfalfa pellets/cubes, but importers report that if market access were given, there would be extremely strong demand for this product from the United States.

Top Foreign Suppliers of Hay to China (by value):

- No.1 – United States, 78.6% (alfalfa baled hay, \$417 million, up 0.72% for 2016)
- No.2 – Australia, 13.8% (oat hay, \$73 million, up 38.4%)
- No.3 – Spain, 3.48% (alfalfa bales/pellet, \$18.5 million, down 63%)
- No.4 – Canada, 3.16% (alfalfa bales/pellet and timothy hay, \$16.8 million, up 85%)

Approved Hay Suppliers to China

Hay	Country	Number of Registered Plants	Protocol effective since	Product Type
Alfalfa	USA	59	December, 2008	bale
	Spain	33	June, 2014	bale, pellet & cube
	Bulgaria	1	February, 2015	bale, pellet & cube
	Argentina	2	December, 2015	bale
	Sudan	1	March, 2016	bale
	Canada	7	*	bale, pellet & cube
Timothy	Canada	24	April, 2014	bale
Oat	Australia	7	*	bale

Source: AQSIQ, updated in January 2017

*Treated as a traditionally traded commodity from such country, therefore there is no protocol

Domestic Production and China's Five Year Plan

Because of the growing domestic demand for alfalfa, the Chinese government is trying to encourage greater production. In 2015, China alfalfa production was about one million tons, of which 150,000 tons were compressed hay. Currently, the most productive and largest (over 16,000 acres per piece) alfalfa plantation fields are in the Northwest China region, particularly the Gansu Hexi Corridor, Inner Mongolia Ke Er Qing grass land, and the Ningxia He Tao irrigation area.

In order to boost production, on January 18, 2017, China's Ministry of Agriculture issued the "National Alfalfa Industry Development Plan (2016-2020)". This plan aims to produce 5.4 million tons of alfalfa hay by 2020. It is a part of recent changes in Chinese agricultural policies to promote planting of fodder and oilseeds and to reduce area planted with grains (such as corn, of which the Chinese government holds massive stockpiles). There are four major planting areas highlighted in the document, each with a different focus:

- Northeast China and Inner Mongolia: The focus of this region will be on having hay and grain planted in a rotation, and with hay used for local cattle and sheep feeding.
- Northwest China: As this is the traditional hay planting area, the focus will be to strengthen commercial hay processing and production.
- North China: The focus in North China will be to develop areas of commercial alfalfa and oilseed production and reduce the amount of grain production.
- South China: The focus in South China is to develop alfalfa silage.

This planning document also identifies four key tasks/goals to boost production:

- 1) Develop new and improved alfalfa varieties.
- 2) Enlarge the production base to reach 6 million mu (988,000 acres) for high quality hay.
- 3) Improve mechanization for hay planting and harvesting.
- 4) Build 500 dairy/hay integrated farms.

Since 2012, China's central government has provided financial subsidies of RMB300 million (US\$44 million) annually to support the growth of the domestic alfalfa industry.

Outlook for Hay Consumption in China

Dairy Feed Sector

The bulk of alfalfa demand in China comes from the dairy sector. China has over 15 million cows in the dairy industry, among which 1.5 million are high producers (nine tons annual milk yield). Since 2008, the Chinese government has been implementing a Dairy Herd Improvement program, however there are only 789,000 head currently included in the program. The performance of China's dairy herd still has great room for improvement, and it is expected that there will be significant growth in the population of high-producing dairy cows, boosting demand for high quality hay.

Industry analysts estimate that China's dairy feed sector needs 5 million tons of high-quality hay and 10-20 million tons of lesser quality hay annually. By 2020, with the number of high-producing cows rising, China is estimated by some market analysts to need 8 million tons of high-quality alfalfa. Therefore, even with growth in domestic production of alfalfa, demand for imports should continue to strengthen.

Swine (gestational hog) Feed Sector

Demand from the swine feed sector for hay is expected to be strong if greater imports of alfalfa pellets/cubes were allowed to enter China. In the past, ATO Guangzhou worked with several large swine farms in South China to conduct feed trials featuring alfalfa hay being fed to sow hogs in gestation. Compared to those traditionally fed with wheat bran, participating swine farmers reported that the trial hog group fed with U.S. alfalfa hay had excellent performance (such as less digestion problems during gestation, better lactation, more piglets after weaning, and better sow hog health in general). In recent years, China's high pork prices brought huge profits to large swine farming companies and this has motivated these companies to expand their hog production, which has in turn increased the demand for high-quality sow feed.

Horse Sector

China's government currently bans horse racing for gambling, and as a result the race horse population in China is limited. However, the Hong Kong Jockey Club is building a large horse training facility in

Guangzhou, which is expected to need a large amount of different hay products. Other than Guangzhou, some of China's other large cities such as Nanjing, Wuhan, and Chengdu also have large horse racing facilities.